

1 CHAIRPERSON JAMES: Senator Maddy.

2 SENATOR MADDY: Madam Chair and members, thank you
3 very much for the --

4 COMMISSIONER MCCARTHY: Madam Chair, may I?

5 CHAIRPERSON JAMES: Yes.

6 COMMISSIONER MCCARTHY: Before Senator Maddy begins,
7 I just -- in the Legislature and Congress we would say a point of
8 personal privilege. I served with Senator Maddy in the
9 Legislature for 11 or 12 years, and of course, we welcome all
10 these panelists and those who have come to share their knowledge
11 with us today on this and other subjects. But I just wanted to
12 insert -- I don't see it very often any more. I just wanted to
13 insert that of some 300 members of the State Legislature that I
14 worked with during my 14 years there, Senator Maddy is one of the
15 best and most constructive forces, and has been a very fine
16 public servant. So it's nice to see him here today.

17 CHAIRPERSON JAMES: Thank you.

18 SENATOR MADDY: Thank you, Governor McCarthy. I
19 appreciate that. I was just going to say it was good to see you
20 again.

21 But Madam Chair and members, it's a pleasure to be
22 here. As I indicated in my written testimony, and I'll summarize
23 that I think I spent my lifetime involved with horse racing in
24 California as a youngster with my parents who were great fans.
25 When I turned 16 and was able to work, I came to work in the back
26 stretch as a groom and as a hot-walker in the summers from age 16
27 until I finished college, and then ultimately worked my way as an

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1 attorney and as a legislator to the point to where I could return
2 to my great love which was an avocation, which was horse racing.

3 The last few years I've been fortunate enough to have
4 a few horses which I've owned, bred and raced. So legislatively
5 in the last 28 years I've spent a lot of time in this field not
6 only because of my interest, but obviously because horse racing
7 in California has been a significant impact on our economy. And
8 we outline some of the impacts and your staff person, Doug,
9 mentioned some of those 50,000, over 50,000 full-time jobs. A \$4
10 billion economic impact directly. The equine industry in
11 California is very large because the recent (audit) indicated
12 that roughly \$11 billion of economic impact on the State of
13 California is a result of the equine industry.

14 We're very proud in California. We have five major
15 racetracks, including Del Mar. Two in the north and three in
16 the south. We have nine fairs that race at one time. Well,
17 during the -- at any one time in California racing north and
18 south Thoroughbred racing, we have one track at Los Alamitas in
19 Orange County that is devoted principally to what we call the
20 night breeds or the Quarter horses and Harness industry which
21 race at night. So often in California you're racing north and
22 south simultaneously, as well as at night. It's a large
23 industry. As I say, the impact on the State's economy is
24 considerable.

25 Mentioning some of the things. We have been heavily
26 taxed in this State. We're not proud of it. We're trying to
27 change that because I don't think it's a level playing field with
28 what's happening in other sports and certainly other gaming

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1 activities, but we have a fee that comes out of every dollar that
2 goes to local government wherever we have a site, whether it be a
3 racing site or a satellite racing site. Some \$8 million a year
4 goes to local government. We spend \$30 million in support of our
5 fairs as a result of pari-mutuel wagering. We spend roughly a
6 million a year in the two enterprises at the University of
7 California at Davis that I was very proud to author with the
8 Center for Equine Health as well as the Analytical Chemistry
9 Laboratory that's being constructed at UC Davis now. In terms of
10 addressing some of the issues in research on medication, these
11 are both strong assets to the University of California as well as
12 the horse industry in this state.

13 Satellite wagering came into being in the early '80's
14 as a result, I think, of competition that was developing, and as
15 Doug indicated, the decline in horse racing attendance and so on.
16 It did not turn out as well as many of us thought. We thought we
17 would build a great deal of more fan base as a result of giving
18 access to horse racing at the satellite sites. The satellite
19 sites are all in public facilities. They are at fairgrounds and
20 at the existing racetracks, and at some of the Tribal lands where
21 there are casinos with compacts to the Indian tribes. They have
22 had wagering sites, I think, at four different sites. That has
23 offset to some degree the decline that we have seen as a result
24 of the changes in the dynamics, I guess, in terms of the sports
25 world as well as the gaming world for racetracks.

26 In the area of competition, I think horse racing, as
27 I indicated in my testimony -- of course it's one man's opinion,
28 but horse racing did not take advantage of the benefits they had

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1 in the early '50's as a dominate sport when television came into
2 being. I think in part because there was at that time a monopoly
3 horse racing had over legalized gaming in California. So as a
4 result there's two or three decades of individuals who have never
5 experienced the thrill of going to the horse races. I like it as
6 a sport, not necessarily as a gaming enterprise. But whether you
7 like it or not the gaming part of it is what supports the purses
8 which supports the owners and breeders and so on. I think that
9 racing has come out of that. I think that we are now
10 contributing to the NTRA, the National Thoroughbred Racing
11 Association, which is going to try to emulate, if you will, the
12 NBA and other major sports enterprises to try to bring racing as
13 a sport to more people.

14 In the later years, and also the simulcasting came
15 into being because of the competition. In the early '80's
16 Governor Dukmajian was the Governor of the State of California
17 and my friend Leo was Lieutenant Governor, and Governor Dukmajian
18 was not a fan of gambling at all. But at that time the public in
19 California voted overwhelmingly for the State Lottery. That was
20 a government-run gambling business, if you will, that devotes
21 some \$16 million a year mandatorily by the initiative to promote
22 lottery. That's huge competition for an industry such as the
23 horse racing industry. The Governor then was a little more
24 receptive and that's when I was able to get satellite wagering
25 and some of those changes into the Racing Code.

26 Also we had an advent in California. We have card
27 rooms which have been here forever, but they grew. Principally
28 as a result of authorization of the so-called "Asian games", and

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1 that became a major force in terms of card rooms. Legalized
2 gambling, but on restricted areas of restricted games. Meaning
3 draw poker and a few poker games as well as then we went into the
4 Asian games, and then the Asian population increasing as it did
5 in California, that became a major factor. And then, of course,
6 with the passage of the Indian Gaming Regulatory Act in Congress,
7 the Tribal casinos developing around the State. We have some 100
8 Tribes, and you'll hear a great deal more about that later. All
9 that has been competition for the horse racing industry.

10 I emphasize, and have for many years that I've spoken
11 on the floor of the Senate and the Assembly on horse racing, that
12 it's a considerable difference between this industry which has so
13 many jobs behind every horse. And I try to illustrate that with
14 some material I provided to you. There's tremendous economic
15 impact. It's always sort of strange to me that we have
16 communities in this state who are willing to subsidize either
17 with redevelopment funds or other taxpayers' funds to build
18 football stadiums and baseball stadiums for millionaires to allow
19 millionaires to play, but all they want to do at racetracks is
20 tax us some more. But that's a phenomena, an argument that I
21 have to deal with in the Legislature, no reference necessarily
22 San Francisco or San Diego, or wherever else you can get a
23 stadium built. Fresno now they're trying to build one.

24 But in any event, this is a very important industry.
25 It's a very important lifestyle for people, and there are a great
26 many people involved, and I'm delighted that you're here to see
27 one of the premier tracks in America, and thank you again for the
28 opportunity.

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CHAIRPERSON JAMES: Thank you, Senator.

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